

Budget Committee Minutes
Board of Commissioners – Rhode Island Housing

September 10, 2008

Commissioners Present: Michael Marques (Chair), Denise Barge, Anthony Marouchoc
Also Present: Susan Bodington, Richard Hartley, Thomas Hogg, Kara Lachapelle

A meeting of the Budget Committee of the Board of Commissioners was called to order at approximately 9:45 a.m. Staff presented information and documents associated with the proposed fiscal year 2009 Budget.

The presentation was composed of three parts: (1) a summary of some of the major external forces affecting housing related activities, (2) a description of the five major components of revenues and expenditures within the budget, and (3) a comparison of our operating results to other HFA's and rating agency benchmarks.

Staff first reviewed a summary list of 13 economic and credit related externalities. All of them carry negative implications for us. Pulling in the opposite direction are three positive items. Our loan portfolios have been rebuilding since the beginning of 2005, our delinquency and foreclosure experience is lower than State averages, and there is recent federal legislation intended to address the national foreclosure and mortgage credit crisis.

Staff next described major elements of the balance sheet and the revenue and expense statement. Major areas of focus for 2009 were discussed. Included in this category are: (1) our HELP Center, which provides credit counseling and foreclosure prevention advice; (2) KeepSpace, which will focus on four sites of mixed use and integrated design and approval; and (3) Road Home, which combines supportive services and housing subsidy with the objective of eliminating homelessness in the State.

Staff next described the operating and programmatic budgets for 2009. The operating expense budget reflects a \$1.54 million or 8.2% increase over actual results for 2008. Historical experience suggests that actual results will be significantly less than the budget figures. The programmatic budget reflects an intensive review of all 34 categories of support, with reductions made where possible.

A significant unknown is the depth and duration of this period of foreclosure and real estate devaluation. The budget contains an assumption of a \$3 million provision for loan loss, but the mechanics of calculation of appropriate loan loss reserve level is largely retrospective. In any case, the provision is certainly expected to be higher than last year's level.

One other unknown is our necessary staffing level, particularly in light of implementing the provisions for counseling and foreclosure prevention within the new federal legislation. Until the scale of additional work is better known, staffing levels in the budget are set at our current approved complement.

Lastly, the importance of comparisons to other housing finance agencies within the rating agency process was described. Our general obligation rating comes from Standard & Poor's and benchmarks used by them are monitored as an especially important discipline for our financial management.

After additional discussion, the Committee agreed to recommend the Budget to the Board of Commissioners for approval. After motion duly made and seconded, it was:

Resolved: That the fiscal year 2009 Budget contained in the material attached be recommended to the Board of Commissioners for approval.

There being no further business, the meeting was adjourned at approximately 10:45 a.m.

Approved:

Michael Marques, Chair

Date: _____